



*Real value in a changing world*

# Capital Markets Update: *Transactions,* Financing and Market Value

*22<sup>nd</sup> Annual MEET THE MONEY Conference*

**Greg Hartmann, MAI, CHA**  
Executive Vice President & National Director  
Jones Lang LaSalle Hotels

May 8, 2012

# Where Are We Today? Where Are We Going?

Fundamentals remain strong; transactions market showing little sign of cooling down

## **U.S. revenue per available room (RevPAR) grows 7.9% in YTD March 2012**

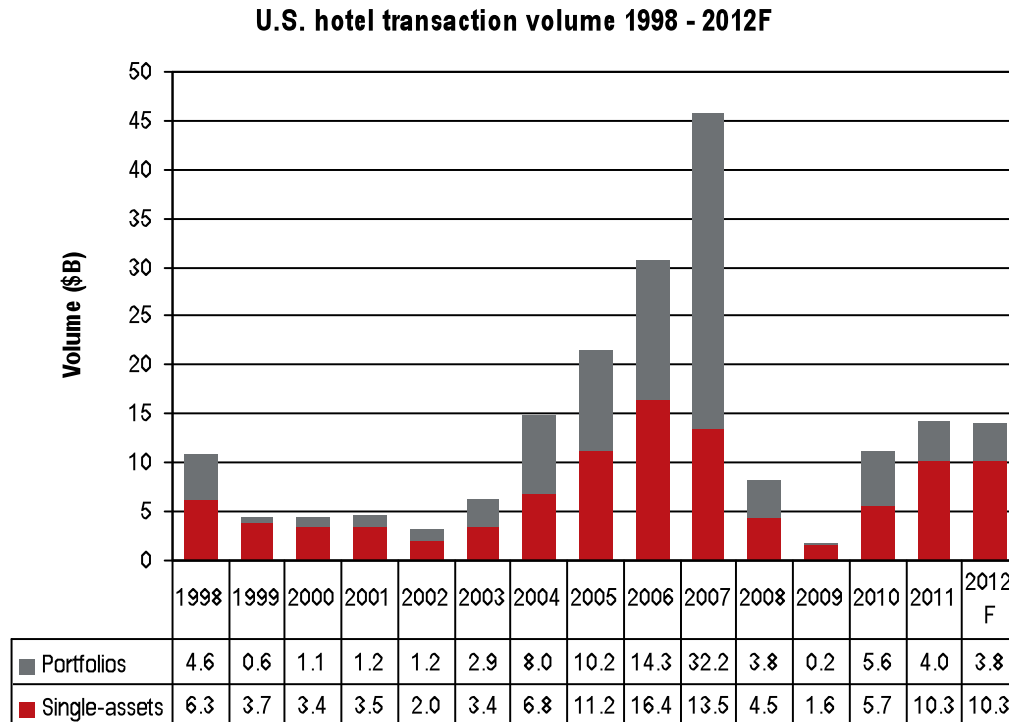
- Growth increasingly driven by ADR recovery; no sign of slowdown in industry fundamentals
- Industry prognosticators generally expect U.S. RevPAR to grow by 3-6 % in 2012, investors are anticipating higher based on YTD performance.

## **U.S. hotel transaction volume expected to reach \$14 billion in 2012**

- Transaction volume marked nearly 30% increase in 2011; year-end total hit \$14.3 billion—a four-year high
- Equity markets are vibrant
- Debt liquidity for acquisitions and re-financings is higher than one year ago

# Overall U.S. Hotel Transaction Volume

U.S. hotel transaction volume expected to hold steady in 2012, reaching \$14 billion



Source: Jones Lang LaSalle Hotels

# How did the First Quarter Shape Up?

Volume held steady, deal size decreased a bit but price per key rose further

## U.S. hotel transactions - key metrics

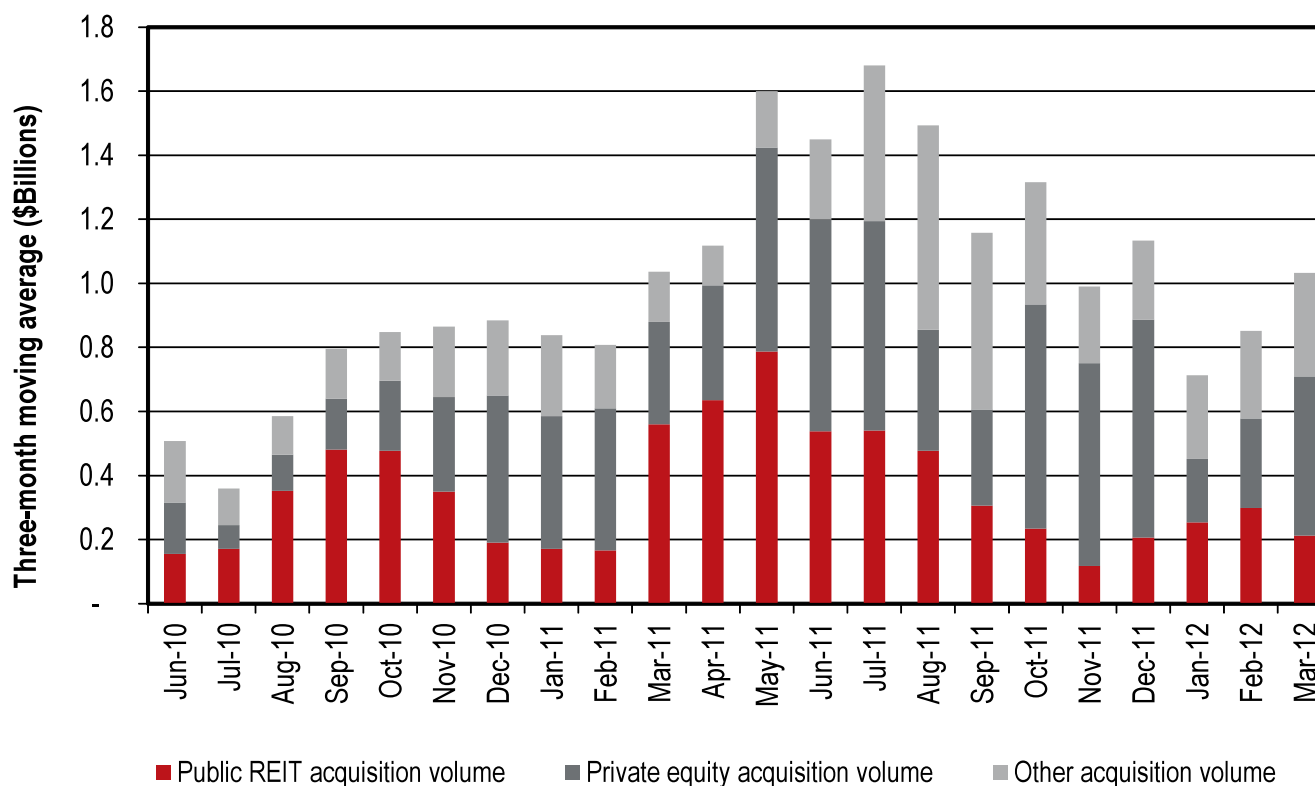
Year	Volume (\$B)	Number of transactions	Total rooms sold	Average transaction size (\$M)	Average price per key (\$)
Q1 2011	\$3.3	56	19,000	\$58.6	\$172,700
Q1 2012	\$3.1	62	16,600	\$50.0	\$186,700

Source: Jones Lang LaSalle Hotels

# U.S. Hotel Transaction Volume by Buyer Group

REITs' deal pace has softened but no evidence of abrupt fall-off of transactions market overall

U.S. acquisition volume by investor type



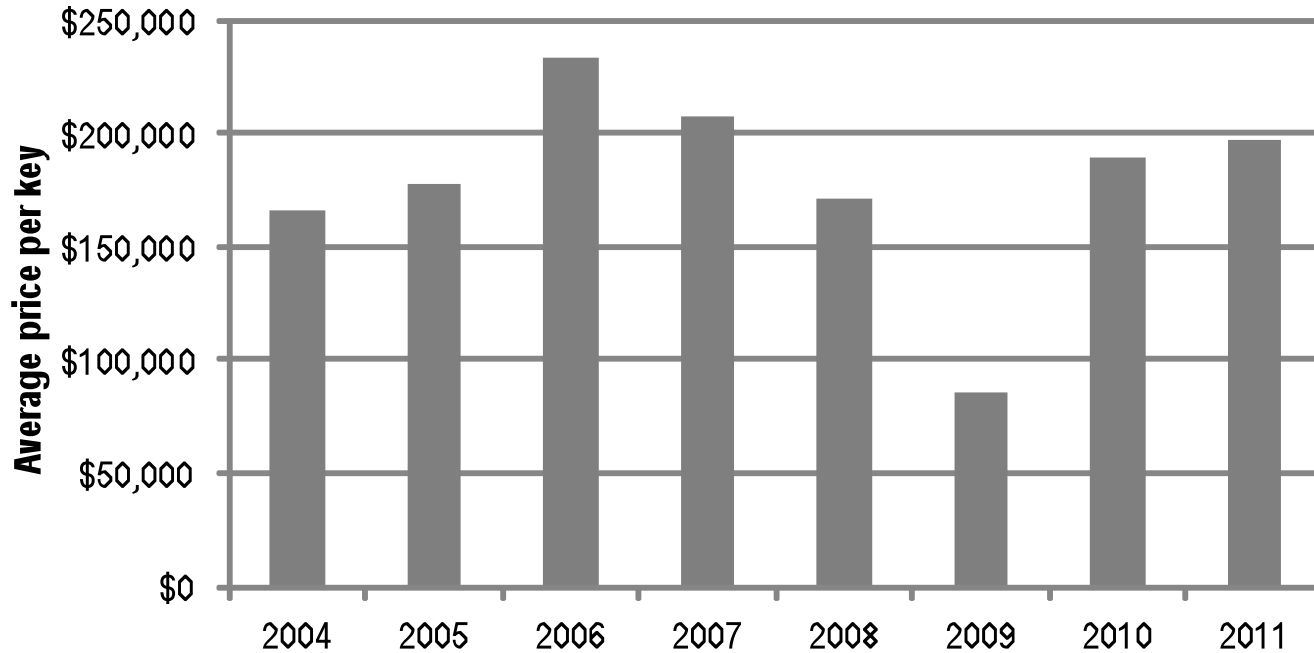
Source: Jones Lang LaSalle Hotels

Note: Data refers to month when transactions were completed

# Value Changes Over Time

Average price per key for full-service single-asset transactions increases 122% in 2010 and 4% in 2011

**U.S. full-service hotel transactions (single assets only)**  
**Price per key**



Source: Jones Lang LaSalle Hotels

# Significant U.S. Single-Asset Transactions 2011

Largest U.S. single-asset hotel transactions YTD 2011					
Property name	Location	Closing date	Price (\$M)	Rooms	Price per key (\$)
Hyatt Manchester Grand	San Diego, CA	Mar-11	570.0	1,625	350,769
Park Central Hotel	New York, NY	Dec-11	396.2	934	424,197
Hilton San Diego Bayfront (75% stake)	San Diego, CA	Mar-11	356.0	1,190	75% stake sale
New York Palace	New York, NY	May-11	Undisclosed	897	Undisclosed
Radisson Lexington	New York, NY	Jun-11	335.0	712	470,506
New York Helmsley	New York, NY	Mar-11	315.5	775	407,097
Yotel New York	New York, NY	Jun-11	315.0	669	470,852
Paramount Hotel*	New York, NY	Oct-11	Undisclosed	597	Undisclosed
InterContinental Chicago (49% Stake)	Chicago, IL	Jun-11	141.3	807	175,052
Mondrian Los Angeles	Los Angeles, CA	May-11	137.0	237	578,059
Royal Palm Miami	Miami, FL	Apr-11	130.0	409	317,848
W Chicago City Center	Chicago, IL	May-11	128.8	368	350,000
Fairmont Orchid Hawaii*	Kohala Coast, HI	Nov-11	Undisclosed	538	Undisclosed
Marriott Denver City Center	Denver, CO	Sep-11	119.0	613	194,127
InterContinental Montelucia Resort	Scottsdale, AZ	May-11	115.0	293	392,491
Four Points Midtown	New York, NY	Jun-11	112.0	243	460,905
Westin Gaslamp	San Diego, CA	Apr-11	110.0	450	244,444
Bacara Resort & Spa	Santa Barbara, CA	Sep-11	104.0	360	288,889
Cheeca Lodge & Spa	Islamorada, FL	Jul-11	101.0	214	473,131
Boston Park Plaza (55% stake)	Boston, MA	May-11	101.0	941	55% stake sale
St. Regis Washington D.C.	Washington D.C.	May-11	100.0	182	549,451
JW Marriott San Francisco	San Francisco, CA	Feb-11	96.0	338	284,024
Elysian Chicago*	Chicago, IL	Nov-11	Undisclosed	188	Undisclosed

\*Seller advised by Jones Lang LaSalle Hotels

Source: Jones Lang LaSalle Hotels

# Significant U.S. Single-Asset Transactions YTD 2012

Largest U.S. single-asset hotel transactions YTD 2012					
Property name	Location	Closing date	Price (\$M)	Rooms	Price per key (\$)
Gansevoort South Miami Beach*	Miami Beach, FL	Feb-12	Undisclosed	593	Undisclosed
Fairmont San Francisco	San Francisco, CA	Mar-12	200.0	676	295,858
Doral Hotel & Country Club	Miami, FL	Feb-12	150.0	700	214,286
Hotel Palomar	Washington, D.C.	Mar-12	143.8	335	429,254
Cassa Hotel and Residences	New York, NY	Feb-12	130.0	165	787,879
Knickerbocker Hotel New York	New York, NY	Feb-12	115.0	330	348,485
Marriott San Francisco Airport	Burlingame, CA	Mar-12	112.7	685	164,526
Novotel New York*	New York, NY	Feb-12	92.0	480	191,667
Fairmont Sonoma Mission Inn & Spa	Sonoma, CA	Mar-12	84.0	228	368,421
DoubleTree Suites Galleria	Houston, TX	Feb-12	62.5	380	164,474

\*Seller advised by Jones Lang LaSalle Hotels

Source: Jones Lang LaSalle Hotels



# REITs' Share Prices Have Trended Upward

## Lodging REIT and C-Corp key T-12 operating and balance sheet data

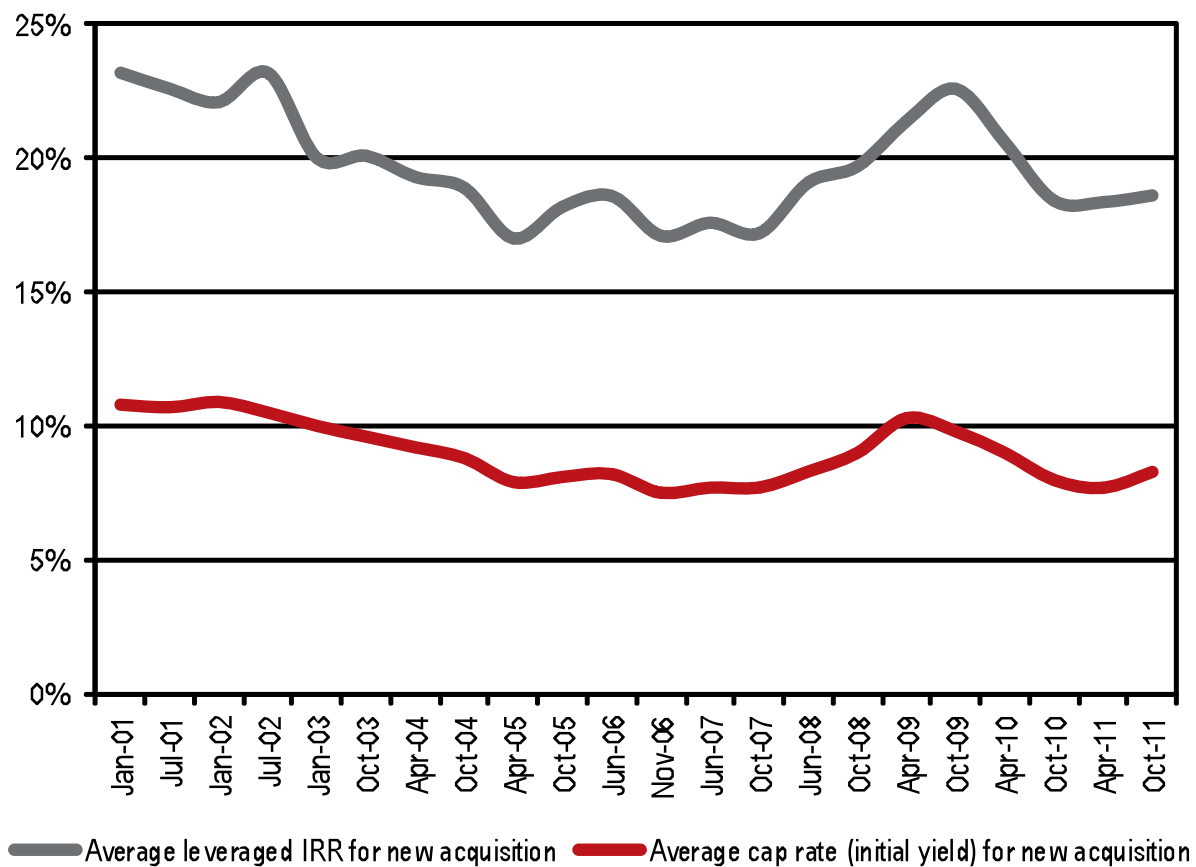
T-12 data as of Q1 2012	Ticker	EBITDA multiple 2012E	T-12 cap rate	Current Dividend Yield	Revenue (\$M)	EBITDA (\$M)	Net income (\$M)*	Net Income / Equity	EBITDA / Market cap	Share price as of 04/24/2012	Market cap (\$M)	Total debt (\$M)	Cash (\$M)	Enterprise value (\$M)	Enterprise value / Owned rooms	Total debt / Enterprise value
<b>REITs</b>																
HOST HOTELS & RESORTS INC	HST	14.9	4.6%	1.1	4,999.0	972.0	772.0	6.1%	8.3%	16.62	11,759.7	5,753.0	826.0	16,686.7	282,227.0	34%
HOSPITALITY PROPERTIES TRUST	HPT	10.4	9.0%	8.3	1,210.4	572.8	524.4	14.0%	17.2%	26.97	3,331.1	2,115.7	8.3	5,842.3	136,247.4	36%
SUNSTONE HOTEL INVESTORS INC	SHO	12.9	5.5%	0.0	838.2	197.8	164.3	9.5%	16.6%	10.05	1,192.2	1,570.5	150.5	3,003.4	265,479.0	52%
LASALLE HOTEL PROPERTIES	LHO	14.5	4.7%	1.5	753.0	212.5	182.4	6.3%	8.6%	28.89	2,474.0	1,053.5	12.0	3,909.8	459,974.5	27%
HERSHA HOSPITALITY TRUST	HT	13.7	4.6%	4.2	306.7	99.7	87.4	7.4%	10.2%	5.67	978.1	758.4	24.6	1,886.9	183,871.1	40%
ASHFORD HOSPITALITY TRUST	AHT	8.5	6.5%	4.6	890.3	217.9	182.3	23.6%	36.0%	8.90	605.1	2,362.5	167.6	2,800.1	136,873.0	84%
STRATEGIC HOTELS & RESORTS	BEE	14.9	3.7%	0.0	763.8	126.8	96.3	5.8%	9.6%	6.55	1,322.2	1,050.4	72.0	2,580.2	375,404.3	41%
FELCOR LODGING TRUST INC	FCH	12.2	5.4%	0.0	970.9	173.8	134.9	12.3%	34.0%	4.11	510.5	1,596.5	93.8	2,505.2	107,353.7	64%
DIAMONDROCK HOSPITALITY CO	DRH	16.1	4.2%	3.1	694.1	144.4	116.7	6.5%	8.2%	10.48	1,759.8	1,042.9	26.3	2,776.4	259,479.0	38%
CHESAPEAKE LODGING TRUST	CHSP	11.6	3.9%	4.6	172.2	44.7	37.8	6.3%	7.7%	17.97	577.3	407.7	21.0	964.1	333,704.8	42%
PEBBLEBROOK HOTEL TRUST	PEB	12.0	3.6%	2.1	288.0	60.5	48.9	3.9%	5.1%	23.12	1,178.0	251.5	65.7	1,364.0	295,548.0	18%
CHATHAM LODGING TRUST	CLDT	9.7	4.3%	5.7	73.1	19.7	16.8	9.7%	11.6%	12.17	169.3	228.9	4.7	393.5	163,020.5	58%
RLJ LODGING TRUST	RLJ	11.8	6.0%	2.9	772.3	213.3	182.4	8.0%	10.8%	18.60	1,983.6	1,341.7	310.2	3,015.1	147,163.9	45%
SUMMIT HOTEL PROPERTIES INC	INN	10.3	5.8%	4.9	148.9	35.6	29.7	9.5%	11.9%	8.04	300.5	217.1	10.5	507.1	69,993.9	43%
<b>Average</b>		<b>13.3</b>	<b>5.3%</b>													
<b>C-Corps</b>																
MARRIOTT INTERNATIONAL-CL A	MAR	13.3	3.4%	1.0	12,091.0	996.0	512.4	3.9%	7.8%	38.54	12,757.0	2,527.0	290.0	14,994.0	N/A	17%
STARWOOD HOTELS & RESORTS	HOT	11.7	5.5%	0.9	5,624.0	963.0	738.0	6.3%	8.6%	56.78	11,191.4	2,729.0	454.0	13,466.4	N/A	20%
INTERCONTINENTAL HOTELS-ADR	IHG	10.5	8.1%	2.4	1,768.0	658.0	587.3	8.4%	9.7%	23.30	6,784.1	691.0	182.0	7,293.1	N/A	9%
WYNDHAM WORLDWIDE CORP	WYN	10.3	7.8%	1.4	4,254.0	1,009.0	838.8	11.9%	14.7%	47.17	6,884.5	4,015.0	142.0	10,757.5	N/A	37%
CHOICE HOTELS INTL INC	CHH	11.3	6.7%	2.0	638.8	179.9	154.3	6.8%	8.4%	37.20	2,154.0	252.7	107.1	2,299.6	N/A	11%
HYATT HOTELS CORP - CL A	H	11.7	4.1%	0.0	3,698.0	458.0	310.1	4.2%	6.6%	41.90	6,920.1	1,225.0	534.0	7,611.1	N/A	16%
<b>Average</b>		<b>11.7</b>	<b>5.6%</b>													

\*Reserve for replacement of 4% of revenue deducted

Source: Bloomberg, Jones Lang LaSalle Hotels

# Expected Cap Rates Relatively Steady

U.S. average hotel investment yields



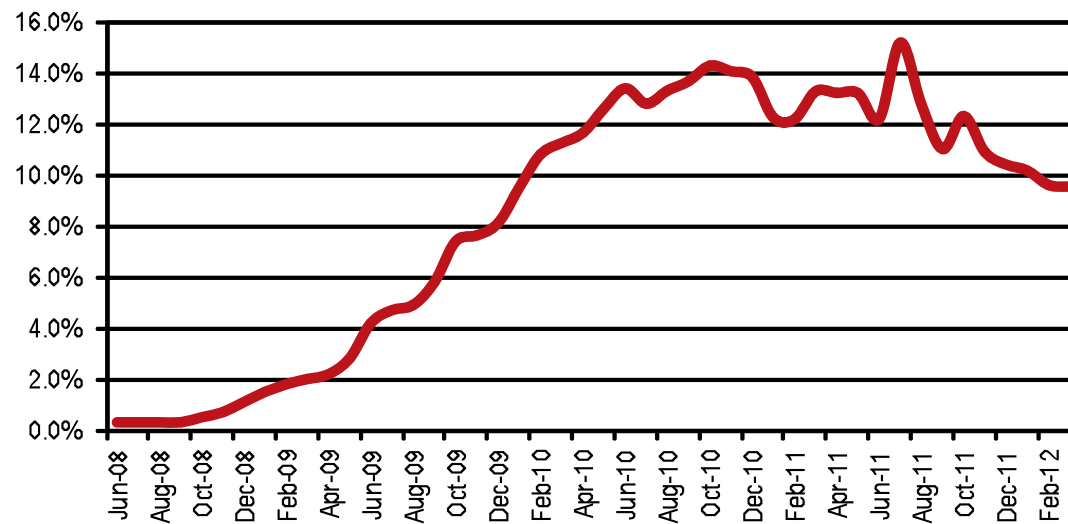
Source: Jones Lang LaSalle Hotels  
From the *Hotel Investor Sentiment Survey*

As of October 2011

# Hotel CMBS Loan Delinquency Dipping

Current balance of delinquent hotel CMBS loans is \$6.7 billion

Hotel CMBS loan delinquency rate (as % of hotel CMBS loans)



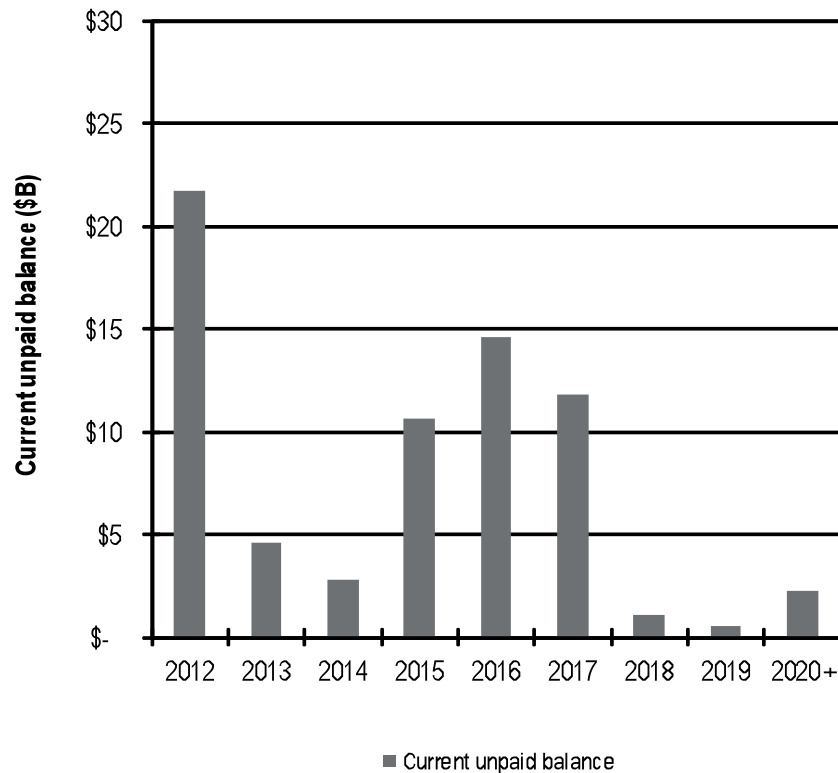
Source: Morningstar, Inc.

Data through March 2012

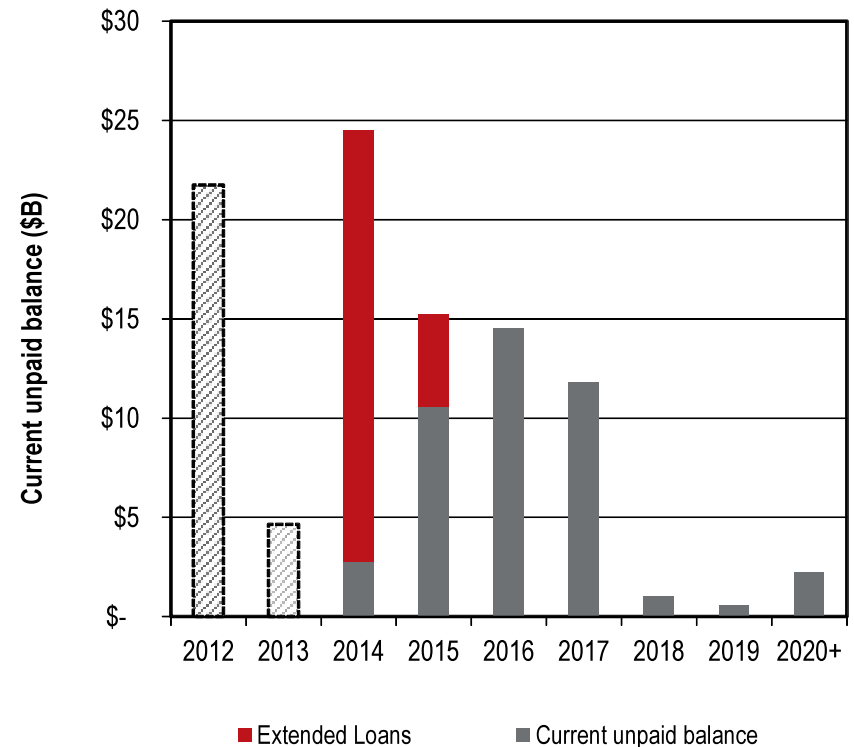
# U.S. Hotel CMBS Loans and the “Great Deleveraging”

Original loan maturities spike from 2011-2012; when applying hypothetical loan extensions, the “great deleveraging” will kick into gear in 2014

Hotel CMBS loan maturities 2012 -2020+



Hypothetical hotel CMBS loan extensions



Source: Morningstar, Inc.. Based on all 2,839 loans tracked in Morningstar (total unpaid balance of \$70.0 billion)

As of March 2012

# Hotel Debt Capital Markets Opening up Selectively

- The hotel debt capital markets have been steadily improving since 2009 (with a small setback in summer of 2011).
- The pool of prospective hotel lenders has widened, and now includes CMBS, insurance companies, domestic and foreign banks, as well as specialty finance groups, mortgage REITS, and debt funds.
- Hotel lending is gaining favor among lenders, as competition for the core asset classes is fierce and hotels represent an attractive risk-yield opportunity.
- The increased number of lenders has improved pricing and terms, to a degree, with leverage levels inching back toward 65.0% to 70.0% and pricing dropping into the 5.0% to 6.0% range for stabilized hotels.
- However, the market is still far from fully recovered. Lenders remain highly selective and risk averse, and are targeting top-quality sponsorship, markets, and properties.
  - Assets that do not fulfill those qualifications can have significant difficulty finding accretive debt capital.
- **Bottom Line:** Financing is available and attractive for top-tier sponsors that have significant hotel experience and are financing assets in good condition in major markets. Assets that need redevelopment, are in transition, or have significant “story” are much more difficult to finance.

# Representative Hotel Loan Debt Terms

Comparison of Loan Terms				
Key Terms	<u>Portfolio A:</u> Stabilized Six-Asset Extended-Stay Portfolio	<u>Hotel A:</u> Branded, Stabilized "CBD" Hotel (Nashville)	<u>Portfolio B:</u> Nine-Asset Full- & Select-Service Portfolio (Tertiary Markets)	<u>Hotel B:</u> Branded, Stabilized Hotel (Atlanta)
Date of Term Sheet	Mar-12	Nov-11	Mar-12	Nov-11
Loan Type	Senior	Senior	Senior/Mezz	Senior
Term (years)	3+1+1	4	2+1+1+1	2+1+1
Max LTV	55.00%	80.00%	80.00%	55.00%
Interest Rate	30-Day LIBOR + 2.35%	30-Day LIBOR + 6.80% (LIBOR floor: 0.50%)	30-Day LIBOR + 6.50%	30-Day LIBOR + 3.75%
Applicable Rate	2.59%	7.30%	6.74%	3.99%
Amortization	I/O	Months 1-12: I/O; Thereafter: 30 years	I/O	Months 1-24: I/O; Thereafter: 30 years
Origination Fees	0.00%	1.00%	1.38%	0.65%
Exit Fees	0.45%	0.50%	0.00%	--
Number of Viable Bids	7	7	11	5

Source: Jones Lang LaSalle Hotels

Thank you

**Greg Hartmann**

Executive Vice President  
Jones Lang LaSalle Hotels  
+1 303 390 5259  
greg.hartmann@am.jll.com